

SENATE BILL 451
By Crutchfield

AN ACT to amend Tennessee Code Annotated, Title 45 and Title 47, relative to credit scoring.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. This act shall be known and may be cited as the "Consumer Credit Disclosure Act of 2001".

SECTION 2. Tennessee Code Annotated, Title 47, Chapter 18, Part 10, is amended by adding the following as a new section to be designated as follows:

Section 47-18-1012.

(a) Upon a consumer's request for a credit score, a consumer credit reporting agency shall supply to the consumer a statement that shall include:

(1) The consumer's current credit score or the consumer's most recent credit score that was previously calculated by the credit reporting agency for a purpose related to the extension of credit.

(2) The range of possible credit scores under the model used.

(3) All the key factors that adversely affected the consumer's credit score in the model used, the total number of which shall not exceed four (4).

(4) The date the credit score was created.

(5) The name of the person or entity that provided the credit score or credit file upon the credit score was created.

(6) A statement indicating that the information and credit scoring model may be different than the credit score that may be used by the lender.

(b) As used in this section unless the context requires otherwise:

(1) "Credit Score" means a numerical value or a categorization derived from a statistical tool or modeling system used by a person who makes or arranges a loan to predict the likelihood of certain credit behaviors, including default. The numerical value or the categorization derived from this analysis may also be referred to as a "risk predictor" or "risk score." "Credit score" does not include any mortgage score or rating of an automated underwriting system that considers one or more factors in addition to credit information, including, but not limited to, the loan to value ratio, the amount of down payment, or a consumer's financial assets. "Credit score" does not include other elements of the underwriting process or underwriting decision.

(2) "Key Factors" means all relevant elements or reasons adversely affecting the credit score for the particular individual listed in the order of their importance based on their effect on the credit score.

(c) The information required by this section shall be provided during normal business hours and on reasonable notice.

(d) This section shall not be construed to compel a consumer reporting agency to develop or disclose a score if the agency does not (1) distribute scores that are used in connection with residential real property loans, or (2) develop

scores that assist credit providers in understanding a consumer's general credit behavior and predicting his or her future credit behavior.

(e) This section shall not be construed to require a consumer credit reporting agency that distributes credit scores developed by another person or entity to provide a further explanation of them, except that the consumer credit reporting agency shall provide the consumer with the name and address and website for contacting the person or entity who developed the score or developed the methodology of the score. The subdivision does not apply to a consumer credit reporting agency that develops or modifies scores that are developed by another person or entity.

(f) This section shall not be construed to require a consumer credit reporting agency to maintain credit scores in its files.

(g) In complying with this section, a consumer credit reporting agency shall supply the consumer with a credit score that is derived from a credit scoring model that is widely distributed to users by the consumer credit reporting agency in connection with residential real property loans or with a credit score that assists the consumer in understanding the credit scoring assessment of his or her credit behavior and predictions about his or her future credit behavior, and a statement indicating that the information and credit scoring model may be different than that used by the lender.

(h) A consumer credit reporting agency may charge a reasonable fee for providing the information required under this section.

(i) Any provision in a contract that prohibits or waives the disclosure of a credit card score by a consumer credit reporting agency is void as contrary to public policy.

(j) For making a disclosure under this section, a consumer credit reporting agency may charge a fee not to exceed eight dollars (\$8.00).

(k) A consumer credit reporting agency shall make all disclosures required by this section within thirty (30) days of receipt of a request.

SECTION 3. Tennessee Code Annotated, Title 47, Chapter 23, Part 1, is amended by adding the following as a new section, designated as follows:

Section 47-23-107.

(a) Any person or entity who makes or arranges loans and who uses a consumer credit score as defined in section 47-18-1012 in connection with an application initiated or sought by a consumer for a closed-end loan or establishment of an open-end loan for a consumer purpose shall provide the following to the consumer as soon as reasonably practicable:

(1) A copy of the information identified in section 47-18-1012(a) that was obtained from a credit reporting agency or was developed and used by the user of the information; and

(2) In addition to the information provided to it by a third party that provided the credit score or scores, a lender is only required to provide the notice contained in subdivision (d).

(b) If a person who is subject to this section uses an automated underwriting system to underwrite a loan, that person may satisfy the obligation to provide a credit score by disclosing a credit score and associated key factors, as defined in section 47-18-1012, supplied by a consumer credit reporting agency. However, if a numerical credit score is generated by an automated underwriting system used by an entity, and that score is disclosed to the person, it shall be disclosed to the consumer consistent with subdivision (c).

(c) A person subject to the provisions of this section who uses a credit score other than a credit score provided by a consumer credit reporting agency may satisfy the obligation to provide a credit score by disclosing a credit score and associated key factors supplied by a consumer credit reporting agency.

(d) A copy of the following notice, which shall include the name, address, and telephone number of each credit bureau providing a credit score that was used:

NOTICE TO THE LOAN APPLICANT

In connection with your application for a loan, the lender must disclose to you the score that a credit bureau distributed to users and the lender used in connection with your loan, and the key factors affecting your credit scores.

The credit score is a computer-generated summary calculated at the time of the request and based on information a credit bureau or lender has on file. The scores are based on data about your credit history and payment patterns. Credit scores are important because they are used to assist the lender in determining whether you will obtain a loan. They may also be used to determine what interest rate you may be offered on the mortgage. Credit scores can change over time, depending on your conduct, how your credit history and payment patterns change, and how credit scoring technologies change.

Because the score is based on information in your credit history, it is very important that you review the credit-related information that is being furnished to make sure it is accurate. Credit records may vary from one company to another.

If you have questions about your credit score or the credit information that is furnished to you, contact the credit bureau at the address and telephone number provided with this notice, or contact the lender, if the lender developed or generated the credit score. The credit bureau plays no part in the decision to take any action on the loan application and is unable to provide you with specific reasons for the decision on a loan application.

If you have questions concerning the terms of the loan, contact the lender.

(e) This section shall not require any person to do the following:

(1) Explain the information provided pursuant to section 47-18-1012.

(2) Disclose any information other than a credit score or key factor, as defined in section 47-18-1012.

(3) Disclose any credit score or related information obtained by the user after a loan has closed.

(4) Provide more than one disclosure per loan transaction.

(5) Provide the disclosure required by this section when another person has made the disclosure to the consumer for that loan transaction.

(f) Any person's obligation pursuant to this section shall be limited solely to providing a copy of the information that was received from the consumer credit reporting agency. No person has liability under this section for the content of that information or from the omission of any information within the report provided by the consumer credit reporting agency.

SECTION 4 . If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the

act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

SECTION 5. The provisions of this act are declared to be remedial in nature and the provisions of this act shall be liberally construed to effectuate its purposes.

SECTION 6. This act shall apply to all transactions occurring after the effective date of this act.

SECTION 7. This act shall take effect July 1, 2001, the public welfare requiring it.